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NPIC/TDS/D-1089-67
23 October 1967

MEMORANDUM FOR: Assistant for Technical Development, NPIC

SUBJECT : Recommended action to be taken on Overrun Situation
with [] for one PI Print Enlarger
and [] for two Viewgraph Generators.

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1. [] has requested substantial overruns on both of the subject contracts and has stopped work in both cases. Although NPIC personnel visited [] to review the reasons for the overruns and requested [] to re-evaluate their position, the revised figures received on 12 October 1967 give no evidence of the contractor's desire to absorb any of the costs. This is disturbing in that the overruns in both cases seem due to [] mismanagement, starting with the proposals and continuing to date. [] management personnel with whom the matter has been discussed, apparently see nothing incongruous in expecting the Government to pick up the bill for costs incurred due to poor company managerial performance.

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2. NPIC is now faced with the necessity of deciding how to proceed. The attached sheets present the alternates available at the moment. Certain facts should be kept in mind, however:

a. Even if NPIC agrees to pay both requested overruns in full, there is no guarantee that [] will fulfill the contract without requesting additional funds. [] has refused to agree to a ceiling price arrangement, even with the new increased amounts, on either contract.

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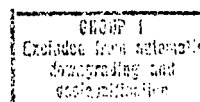
b. The idea of performing part or all of the assembly in-house is not really as attractive as it may seem at first glance. NPIC has neither the personnel nor the facilities to exercise this option efficiently.

c. In addition to the subject contracts, NPIC has other contracts with [] involving approximately []. Assuredly, NPIC will be hit for overruns on these contracts also. The only question at the moment is "How much?"

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d. It would be advantageous for NPIC in future relationships with other contractors, as well as with [] to demonstrate that all costs, no matter how ludicrous, will not necessarily be paid. Further, it should be demonstrated that NPIC does not always feel that projects once started, must be completed.

25X1

e. Any suggestions contained here are presented from the Development Staff point of view only, and are influenced by the technical rather than the operational and/or political considerations. Recommendations should be solicited from the Plans and Management Staff, Office of Logistics, and the potential users of these pieces of equipment. Their views should be given appropriate weight in making the final decision.

3. It is therefore recommended that:

a. [] be amended to call for one equipment only to be procured instead of the two equipments presently on order. This is option #2 on attached Sheet B.

25X1

b. [] be terminated. This is option #3 on Sheet A attached.

25X1

In carrying out the above recommendations, caution should be exercised to insure that negotiations are completed on [] before contract [] is discussed with []. That is, no-one in the Center should let the contractor know that we intend to terminate [] until after we have cancelled negotiations on []. Leakage of this information by anyone in TDS or elsewhere in the Center would seriously jeopardize the Government's position in negotiating []. In addition, vigilance must be maintained to minimize the padding of other [] contracts due to the above recommended actions.

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Chief, Development Staff, TDS

Attachments:

Sheet A - PI Print Enlarger

Sheet B - Viewgraph Generator

Distribution:

Original & 1 - Addressee

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ATTACHMENT A

PI Print Enlarger
NPIC Project #10147

25X

Option	Approximate Cost Including Fee	Approximate Overrun	Advantages	Disadvantages
1. Approve overrun	<div style="border: 1px solid black; width: 100px; height: 150px;"></div>	<div style="border: 1px solid black; width: 100px; height: 150px;"></div>	Equipment will be delivered	Large Overrun. Amount of overrun not controllable. 25X
2. Approve completion of all components and assemble at NPIC			All components will be delivered Possibility exists of producing working equipment	Large Overrun (but less than Option #1). Amount of overrun not controllable. Equipment may be too difficult to assemble at NPIC. In-house costs required to assemble.
3. Cancel Contract			Overrun will be small	Equipment will not be delivered. Small overrun will still occur. Amount of overrun not controllable.

ATTACHMENT B

Viewgraph #
NPIC Project #10197

25X1

Option	Approximate Cost Including fee	Approximate Overrun	Advantages	Disadvantages
1. Approve Overrun			Two viewgraph makers will be delivered	Large Overrun. Amount of overrun not controllable. 25X1
2. Have only one Viewgraph Maker completed			One Viewgraph Maker will be delivered	Large Overrun. (but less than option #1). Amount of overrun not controllable.
3. Have all parts completed for 2 Viewgraph Makers Assemble one at [] and assemble one at NPIC			One Viewgraph Maker will be delivered and all parts for a second unit will be delivered	Large Overrun (more than Option #2 but less than option #1). Amount of overrun not controllable. Equipment difficult to assemble at NPIC and may never be completed. In-house costs required to assemble. 25X1
4. Cancel contract		(Settlement on closing costs unknown)	Overrun will probably not occur	Small overrun may still occur. Amount of overrun not controllable. Assembled equipment will not be delivered